

# Preferences

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There are seven preference categories, and under each category there are a number of preference items. Applicants can choose which preference items to meet, but must meet the minimum number of preferences items indicated for each category in order to submit their application:

1. General – Minimum of 3 items
2. Organizational Capacity – Minimum of 4 items
3. Development Characteristics – Minimum of 4 items
4. Housing Need – Minimum of all 4 items
5. Predevelopment Activities - Minimum of 4 items
6. Rental – Minimum of 4 items
7. Homebuyer – Minimum of 5 items

## 1. General:

### A. Targeted Populations with Special Housing Needs

If the applicant or subrecipient will be targeting and giving housing preference to these individuals, you must demonstrate that working with this special needs group(s) is part of your normal course of business by completing the appropriate section of the application. Normal course of business is defined as a daily activity undertaken by your organization that does not include housing only. (Examples: case management, weatherization, counseling, supportive services, Head Start programs, etc.)

If an applicant's or subrecipient's normal course of business does not include working with the following populations, the applicant must submit a memorandum of understanding (MOU) (12 months old or less) from a qualified organization providing services for such persons that indicate that they will refer clients to the housing activity.

If there is no organization in the region with which the applicant can sign an MOU, then they must be able to demonstrate through a letter that, prior to submitting their application, they have taken steps to start making working with the identified special needs population a part of their normal course of business.

If the applicant is not the owner of the property a letter from the owner, committing to targeting and giving priority to such residents must be enclosed. See the Definitions in Appendix A for a definition of each special needs group.

#### 1) Special Needs Populations – 10% of total units will be rented to the following populations:

- Persons with Physical or Developmental Disabilities
- Persons with a Mental Impairment
- Single-Parent Households
- Victims of Domestic Violence
- Abused Children
- People with Addictions
- Homeless Populations

#### 2) Elderly:

100% of the units of the development will be reserved for individuals at or above 62 years of age or 80% of the units for individuals at or above 55 years of age.

B. Development Location

Development is (1) located in a “qualified census tract” of a metropolitan, non-metropolitan statistical area (as identified in Appendix C), (2) located in an Area of Chronic Economic Distress (as identified in Appendix D), OR (3) located in one of the counties identified in Appendix E (bottom 1/3<sup>rd</sup> of counties assisted with HOME funds). For scattered site projects, at least 25% of the units must be located in one of the above areas.

C. Leveraging of Other Sources

Applicant commits to leveraging 30% of total development costs (excluding banked match) toward the construction financing for the development. Your leveraged dollars may or may not be HOME match-eligible funds. They must be part of the budget submitted with your application, but do not have to be committed at the time of application.

D. Other Sources Committed

Development has received a commitment for some of the other (non-IHCDA) sources of leveraged funds listed above in part C. Funds must be committed upon commercially reasonable terms, subject only to customary closing conditions and otherwise upon such terms and conditions as are satisfactory to IHCDA. In-kind donations are included in the resources counted as committed. When utilizing volunteer labor, the applicant must provide a letter(s) of commitment from the donor(s) agreeing to provide a certain number of hours of labor in order to be counted as committed OR be able to provide clear documentation regarding the minimum number of hours *per unit* that the applicant has received from volunteers over the past three years. Sweat equity is counted as committed if your program guidelines identify the minimum number of hours that are required of all program beneficiaries. Volunteer labor and sweat equity will be calculated at a rate of \$10 per hour.

E. Other Government Commitments

Development has received written commitment(s) for local government funding of at least \$1,000. Examples of funding options include (but are not limited to) tax abatement or exemption, waiver of fees, infrastructure, grants, land, building(s), cash, etc.

F. Services

Applicant commits to offering a minimum of 2 services to all of the beneficiaries of this housing activity. Services should be tailored to the needs of targeted clients. If the applicant or subrecipient will be providing services to all beneficiaries, you must describe how this is part of your normal course of business. For services provided by organizations other than the applicant or subrecipient, enclose a copy of a MOU that was executed no more than 12 months prior to the application deadline and outlines the scope and duration of the services. A sample MOU is provided Appendix G.

Examples of services include, but are not limited to:

- IDA accounts
- on-site daycare service
- credit counseling, learning centers
- access to computer hardware and software
- transportation
- health screening
- homeownership counseling (rental only)
- computer training
- other

\*The term of the commitment, the defined scope of service, the financing plans, and firm commitments will be considered.

### G. Unique Features

The housing program has unique features that go above and beyond the basic requirements of this kind of housing program. To qualify, the applicant must provide a written description of some aspect of their development or organization that is not covered under any other preference category and which would be unique when compared to all of the other applications submitted to IHCD. Prior to submitting their application, it is suggested that all applicants consult with their Community Development Representative with regards to their proposed unique feature(s).

## 2. **Organizational Capacity:**

### A. Funds Drawn on Open Awards

The applicant, subrecipient, or administrator are subject to IHCD's evaluation of percent of funds drawn as of the application deadline for *all* non-expired HOME or CDBG awards that have been open for at least 8 months from the Award Date. This evaluation will NOT be performed on non-expired HOME or CDBG awards less than 8 months old.

This is calculated by taking the percent of time that has expired on an award as of the IHCD Release Of Funds letter, and subtracting the percent of funds that have been expended. Draw request must be received by IHCD by the application deadline and only whole months that have expired will be counted.

A preference will go to applicants with a "Good" or "Acceptable" rating. Those applicants with a "Fair" or "Poor" rating will be required to provide an explanation of their award's performance and a plan to bring their performance rating into the "Good" or "Acceptable" range.

<b>Performance Rating</b>
Good = less than 0%
Acceptable = 0 – 5.99%
Fair = 6-15.99%
Poor = 16% or more

A CHDO who receives a poor rating will be referred to IACED's CHDO Technical Assistance Program.

### B. Performance On Most Recent Closed Award

Preference will be determined based on either the applicant, subrecipient, or administrator's most recently closed HOME or CDBG award. A preference will be provided if the actual number of units built or rehabilitated meets or exceeds the number of units projected in the application AND if the beneficiary households served through the award are at or below the AMI levels projected in the application.

### C. Monitoring on Past Awards

A preference will be awarded if either the applicant, subrecipient, or administrator has two or less findings on their most current monitoring as of the application due date.

### D. Current Assets/Current Liabilities

Applicants must provide IHCD with their three most recent tax returns filed with the IRS. If the applicant has been in existence for less than 3 years, IHCD will accept all tax returns since incorporation but there must be at least one.

To obtain a preference, the applicant's Current Asset to Current Liabilities ratio must be greater than or equal to 1.5. Current Asset and Liability information can be obtained from Part IV of Form 990 (current assets = sum of lines 45, 46, 47, 48, and 49 / current liabilities = sum of lines 60 and 61).

Applicants with a Current Asset to Current Liabilities ratio that is less than 1.0 will have to explain why their Current Liabilities exceed their Current Assets.

E. Deficit Ratio

The Deficit Ratio for each of the past three years, or since incorporation, whichever is less, is greater than 0% as defined by:

$$\frac{\text{Total Revenues} - \text{Total Expenses}}{\text{Total Expenses}}$$

This will be determined using total revenue and expense information from Part I of Form 990 (total revenue = line 12 / total expenses = line 17).

A preference will go to applicants with a Deficit Ratio that is greater than or equal to 0%. Applicants that have a Deficit Ratio that is less than 0% will have to explain why the ratio is less than 0%.

F. Staff Experience

Applicant, subrecipient, or administrator has at least one staff person with a minimum of five years of full-time equivalent housing-related experience.

G. Housing Development Training

Applicant, subrecipient, or administrator has attended at least two or more separate housing related trainings within the past 24 months. This could include trainings sponsored by organizations such as, but not limited to, IACED, IHCD, the Housing Assistance Council, the Indiana Community Action Association, or HUD's office of Community Planning and Development.

H. Housing Development Certification

Applicant, subrecipient, or administrator has staff that has attended 1 housing related certification from the following list:

- Project Development Training sponsored by IACED
- National Development Council's Housing Development Finance Professional certification
- Neighborhood Reinvestment Institute's Professional Certificate
- Certification programs run by the Development Training Institute.

\*It would not include certifications, like a certified housing counselor or certified lead assessor, which are not specifically related to housing finance and development.

I. Unique Organizational Capacity Characteristics

A preference may be awarded to applicants, subrecipients, or administrators who can provide clear evidence of organizational capacity through some means not listed above.

**3. Development Characteristics**

A. Existing Structures

Development will utilize existing structures on at least 50% of the HOME assisted units (i.e. 50% of the HOME assisted units will be rehabilitation projects, not new construction).

B. Infill Housing

Applicant will develop infill housing (i.e. applicant will build proposed units on vacant land within an already established area). For scattered-site housing, at least 30% of the proposed units must be developed as infill housing to qualify for this preference.

C. Historic Structure

Development will contain at least one unit that is a historic resource to the existing neighborhood.

D. Preserving Existing Affordable Housing

A preference will be awarded for applicants that propose to preserve existing affordable housing unit(s).

E. Development Design

Development commits to at least 5 of the following design features in each of the assisted units for New Construction or 4 of the following design features in each of the assisted units for Rehabilitation.

- Exterior walls are at least 50% brick
- Roofing system has at least a 30-year warranty
- Porch with a minimum of 48 square feet with a roof that is permanently attached to the residence
- Deck with a minimum of 64 square feet that is made of wood or other approved materials
- Framing consists of 2" X 6" studs to allow for higher R-Value insulation in walls
- Garage with a minimum of 200 square feet that is made of approved materials, has a roof, is enclosed on all sides, and has at least one door for vehicle access
- Crawl space or basement
- Security System
- Nine-foot ceilings throughout the development
- Ceiling fans in all bedrooms and living room
- Carport with a minimum of 200 square feet that is made of approved materials, has a roof, and is open on at least two sides
- Attached storage space measuring at least 5' x 6'
- Carbon Monoxide detector
- Playground
- Garden Space
- Community Room

F. Universal Design Features

Development commits to at least 5 of the following universal design features in each of the assisted unit(s).

- 42" or wider hallways
- 32" or wider doorways
- Electrical outlets raised 15" to 18" above the finished floor
- Light switches located 48" above the finished floor
- Toggle, rocker, or touch sensitive control panels instead of switches
- Wall reinforcements for hand rails
- Levers instead of door or faucet knobs
- 30" X 48" clear kitchen floor space
- A removable base cabinet for required knee space
- Microwave provided at accessible height
- A front control operated range
- An adjustable counter top or closet rods
- Audio and visual smoke detectors
- Sliding or bi-folding closet doors
- Front loading washer and dryer with front controls, raised on platforms to reduce the need to bend, stoop, or lean over
- Reinforced ceiling (to accommodate pulleys for lifting mechanisms)
- Will have an accessible route that includes no steps or abrupt level changes
- A fold down seat in the shower or roll-in shower with no curb
- The bathtub controls located off center toward the outside of the tub
- Adjustable height or hand-held shower head with a flexible hose
- Side-by-side refrigerator

G. Energy Efficient and Conservation Items

Development commits to at least 3 of the following energy efficient items in each assisted unit.

- Energy Star Rated Compact florescent light bulbs - 1/room or 3/unit.
- Energy Star Rated light fixtures – 1/room or 3/unit.
- Energy Star Rated Cooling system(s)
- Energy Star Rated Heating system(s)
- Energy Star Rated Windows
- Energy Star Rated Refrigerator
- Energy Star Rated Washing Machine
- Energy Star Rated Dish Washer
- Energy Star Rated Programmable Thermostat
- R –Value insulation exceeding Indiana State Building Code
- Other: \_\_\_\_\_

H. Energy Star Rated Units

A preference can be earned if the applicant commits to building at least 10% of the total proposed units as Energy Star rated units. For more information on how to qualify as an Energy Star rated unit, go to: [http://www.energystar.gov/index.cfm?c=new\\_homes.hm\\_earn\\_star](http://www.energystar.gov/index.cfm?c=new_homes.hm_earn_star).

I. Green Building Techniques

Development commits to at least 3 of the following Green Building design elements

- Orient structures on East/West axis for solar exposure
- Include trees in landscaping to curb winter winds and provide shade
- Install flow reducers in faucets and showers
- Incorporate permeable paving
- Minimize the disruption of existing plants and trees
- Include recycling bins in the kitchen
- Install recycled Content carpet and underlayment
- Install a light colored roofing material
- Reduce the use of wood:
  - a) Substitute solid sawn lumber with engineered lumber
  - b) Use wood I-Joists for floors and ceilings
  - c) Use Reclaimed Lumber
  - d) Use Fiber Cement Exterior Siding
- Other: provide evidence of one green building technique not on the above list that you will incorporate into the development

J. Unique Development Characteristics

A preference may be awarded to applicants who can provide clear evidence of a unique development design feature not listed above.

**4. Housing Need**

A. Market

Define the geographic market that you will be serving through the proposed development.

B. Housing Need For The Proposed Occupancy Type

Define how you determined there was a need for the proposed housing activity in your market.

Your answer *must* be specific to the type of housing which you are proposing, you *must* provide specific numbers and/or statistical data, and you *must* reference at least one independent source of information, from formal or informal sources (such as a housing needs assessment, comprehensive plan, a waiting list from another similar type of development in your market, or an informal survey of other area service providers). Please note that if you do not provide the above documentation you will not receive a preference for this question.

- C. Meeting Housing Need  
Define how the proposed development will address the housing need.
- D. Other Housing Agencies in the Market  
Provide a list of the other housing agencies working in the defined market and what housing services they provide. Specify why the proposed development is meeting a need that is not currently being met, or not being met sufficiently, by one of the other agencies in the defined market.

## 5. **Predevelopment**

### Predevelopment Activities Completed

Applicant has completed at least 4 of the following pre-development activities. For scattered-site developments, activities must have been completed for at least 50% of the units.

- a. Site Control
- b. Zoning
- c. Title Search
- d. Water and sewer available to the site
- e. Preliminary or Final architectural drawings
- f. Formal Feasibility or Market Study
- g. "As is" Appraisal dated within 6 months
- h. "After Rehab" Appraisal dated within 6 months
- i. Capital Needs Assessment (water, sewer, electricity, roads, etc.)
- j. Identified 100% of your proposed site(s) or identified neighborhood where all sites will be located.
- k. Property Survey
- l. Permits in Place
- m. Focus Groups or Written Surveys with Target Population
- n. Other

## 6. **Rental**

- A. Beneficiary's Income  
Development commits to renting 15% of HOME-assisted units to households at or below 40% AMI.
- B. Completed Predevelopment or Seed Money Loan  
Development has completed drawings funds from an IHCD Predevelopment or Seed Money Loan.
- C. Transitional or Permanent Supportive Housing  
Development proposes to undertake a Transitional or Permanent Supportive Housing activity.
- D. Project-Based Rental Subsidy  
Development can demonstrate that at least 50% of the units will receive project-based rental subsidy.
- E. Relocation  
Development will not require the temporary relocation of any existing tenants.
- F. Displacement  
Development will not require the permanent displacement of any existing tenants.
- G. Mixed Income / Mixed Use Developments – Single-Site only  
To receive a preference, the applicant must commit to one of the following:
  - a. Development commits to renting at least 10% of total units to households at or above 80% of AMI (must be non-HOME assisted units).
  - b. Development commits to renting at least 20% of total units to households at or above 60% of AMI (must be non-HOME assisted units).
  - c. Development commits to setting aside some portion of the development for non-housing uses (i.e. commercial, retail, or office space).

- H. Rent Up Reserves  
Development has budgeted 3 months of operating expenses and 3 months of debt service for initial rent up reserves.
- I. Debt Service – Transitional and Permanent Supportive Housing Only  
Development will not have any debt service.
- J. Operating Reserves – Transitional and Permanent Supportive Housing Only  
Development will have more than 6 months in Operating Reserves.
- K. Underwriting Criteria  
Development falls within the IHCD underwriting guidelines.
- L. Single Site  
A preference will be given to single-site developments.
- M. Exceeds Minimum Accessibility Requirement  
Development commits to complete at least one more mobility or sensory impaired unit than the minimum number of units required by the Fair Housing Act Amendments of 1988 and Section 504 of the Rehabilitation Act of 1973. For specific information on what makes a unit accessible, refer to the Uniform Federal Accessibility Standards: <http://www.access-board.gov/ufas/ufas-html/ufas.htm>.

## **7. Homebuyer**

- A. Beneficiary's Income  
Applicant commits to selling 50% of the IHCD-assisted units to homebuyers between 50-60% AMI.
- B. Completed Predevelopment or Seed Money Loan  
Applicant has completed drawing funds from an IHCD Predevelopment or Seed Money Loan for the proposed development.
- C. Homebuyer Down Payment  
Applicants require the homebuyer to contribute a minimum of \$500 of their own money in down payment towards the purchase of the home.
- D. Homebuyer Savings Account  
Applicant requires homebuyer to have a minimum of \$500 in a savings account (including IDA accounts) after closing. Applicant will verify homebuyer savings accounts within 1 week of closing.
- E. Post Purchase Counseling  
Applicant commits to providing post purchase counseling at least quarterly to all beneficiaries for at least two years following purchase of a home.
- F. One-on-One Counseling  
Applicant commits to providing one-on-one pre-purchase homeownership counseling to program beneficiaries in addition to classroom-style training.
- G. Foreclosure Prevention  
A preference may be awarded to applicants who can provide clear evidence of steps taken to prevent foreclosure among their homebuyers through some means not listed above.
- H. Home Maintenance Training  
Applicant agrees to provide a minimum of 4 hours of home maintenance training to all beneficiaries.
- I. Homebuyers Identified  
Applicant has completed income verification on 75% of the overall number of clients needed for the proposed development.